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Child benefit and the state pension

How to protect your state pension as a high earning parent

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Are you a high-earning parent (earning over £60k) and thinking about cancelling your child benefit?

Read our article to understand its impact on your National Insurance and State Pension, and make the best decision for you and your family.

What are child benefits?

Child benefit is provided when you're raising a child under the age of 16, or under 20 if they're in approved education or training. This allowance is paid every 4 weeks to one parent or caregiver.

Here's the catch: If the highest earner in the household has an income of over £60k a year, the benefit is reclaimed through tax and will be completely withdrawn when the income exceeds £80k.

So how does this affect your pension?

Not everyone automatically receives the full State Pension upon retirement. In terms of National Insurance, you need to pay taxes from your job for 35 years to receive full benefits.

However, if you're receiving Child Benefit, you'll receive national insurance credits, even if you're not working that will contribute to your state pension. This continues until your youngest child turns 12.

You don't have to take any special action for this; when you claim Child Benefit, National Insurance credits are automatically added to your account.

DAM good advice

So, how can you maintain the perks of Child Benefit when you're earning over £60k? First, we recommend that the lower-earning spouse should be the one to claim child benefit so that they can in receive the National Insurance credit. Second, instead of outright cancelling the payments, opt not to receive them. This way, you can avoid repayment while preserving the NI credits to secure your state pension.

Find out more here